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MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

FROM:

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Director, Near Eastern and South Asian Analysis

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SUBJECT: The Possibility that Iraq Will Finish the Job at Khark Island

1. Iraq's recent attacks on Khark Island have increased the danger that the Persian Gulf war will escalate and pose added threats to US interests in the region. There are indications that Iraq's airstrike at Khark on 15 August, and its follow-up attack yesterday, marked a decision by Baghdad to knock out completely the oil-loading facilities at Khark, and that Iraq will conduct further raids to achieve this objective.

- The attack on 15 August, in which Iraq used eight to ten aircraft, was larger and better-planned than previous Iraqi raids at Khark.
- The Iraqi pilots targeted the major loading platforms on both the east and west sides of the island; the west side or "sea island" terminal probably escaped damage only because a tanker that was loading there was hit instead.
- President Saddam Hussein publicly stated on 17 August that his government had decided to destroy Khark after determining that Baghdad's earlier policy of sparing the island was not inducing the Iranians to negotiate a peace. Statements by Iraq's oil minister and the commander of its Air Force also indicate that Baghdad intends to put Khark out of commission.
- The Iraqi Ambassador in Washington told Deputy Secretary Whitehead last week that Iraq intended to strike Khark again, and that the sea island terminal must be hit. Foreign Minister Tariq Aziz told the US Ambassador in Baghdad this weekend that Iraq has no choice but to keep up the pressure on Tehran.

2. Although there have been no major Iranian ground offensives for nearly three months, there are several reasons why Iraq may now have decided to destroy Khark.

- Baghdad probably concluded that Iran's system of shuttling oil from Khark to Sirri Island was thwarting Iraqi efforts to curtail Iranian oil exports by attacking tankers. We believe Iraq could reduce

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Iranian exports significantly if it attacked the shuttle tankers more aggressively than it has so far, but Iraqi military planners may see Khark as the more vulnerable target.

- The lack of results from its bombings of Iranian cities in May and June probably convinced Baghdad that cutting Iran's oil lifeline would be the only way to undermine the Iranian war effort significantly.
- The prospect of a long war of attrition, with fragile morale at home, may have led Iraqi leaders to step up efforts to bring Tehran to the negotiating table sooner, rather than later.
- The recent acquisition of precision guided munitions from France or the USSR has given Iraq the ability to fire weapons more accurately.
- Iraq will soon begin pumping as much as 300,000 b/d of oil through its just-completed pipeline to Saudi Arabia, giving it added economic incentive to help firm up the oil market by reducing Iran's exports.
- Baghdad sees a limited "window of opportunity" in which it can attack Iranian targets with relative impunity. Iran's impending acquisition of SA-2 missiles from Libya and the receipt of other anti-aircraft equipment from Libya, China, North Korea, or elsewhere may significantly increase the risk to Iraqi aircraft in future raids. The Iranians installed a Swiss-made Skyguard air defense system at Khark last week, but the confidence of Iraqi pilots following the most recent raids--in which no planes were lost--is probably high for the moment.

3. Iraq is still assessing the effects of the 15 August attack. Smoke from the struck tanker may have led Iraqi pilots to conclude at first that they had succeeded in knocking out the loading terminals on both sides of the island. Baghdad now knows they did not. Yesterday's raid was a low-risk bombing run that probably was intended to delay repair operations while a further mission to strike the sea island terminal is being planned.

4. Putting both major terminals at Khark out of operation would cut Iranian oil exports by about eighty percent.

Iran would feel compelled to make a major response. At a minimum, the Iranians would intensify their sporadic efforts to interdict shipping to Gulf ports with cargo bound for Iraq. Another prime target would be Iraqi oil pipelines and facilities, particularly the pipeline to Turkey or the wells at Kirkuk. Iran is capable of conducting sabotage operations that would, at minimal military risk, cause periodic interruptions in Iraqi oil exports.

5. Beyond these steps, there is a good chance Iran would feel driven to widen the war. Tehran has repeatedly threatened to close the Strait of Hormuz and "set the Gulf ablaze" if Khark were destroyed.

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- Iran could strike at Iraq's Gulf Arab allies through terrorist acts and assassinations of political leaders, paramilitary or commando operations against oil facilities, and airstrikes against these facilities or other economic targets.
- Closure of the Strait of Hormuz is less likely, partly because Tehran realizes it would almost certainly bring western intervention. Nonetheless, interruption of exports from Khark would reduce Iran's own economic incentive to keep a lid on the war in the Gulf.

6. A cycle of Iraqi escalation and Iranian retaliation would significantly increase the threat to US interests in the region and necessitate major US policy decisions.

- Oil exports and other shipping in the Gulf might be shut down or reduced significantly--at least temporarily. Iran has only meager naval resources for closing the Strait of Hormuz, but some kind of western intervention would be required to secure the shipping lanes in the event Iran tried to mine or blockade them.
- US ships and installations might accidentally be hit or become involved in a widened war in the Gulf, even though both Iraq and Iran would try to avoid US forces.
- Tehran could order terrorist attacks on US personnel and facilities in the region, in response to what it sees as US support to Iraq.
- The Gulf Arab states probably would expand and accelerate their requests for US military equipment.

7. Whether this scenario materializes still involves major uncertainties on both sides. An Iraqi effort to close Khark would require the application of the sort of effective, aggressive tactics that Iraq displayed in the attack on 15 August--a departure from the cautious approach that has characterized most of the Iraqi war effort so far. In Tehran, at least some of the ruling clerics--not all of whom share Khomeini's belief in fighting until Saddam Hussein falls--might regard "setting the Gulf ablaze" as counterproductive. Nonetheless, we believe the possibility that the Iran-Iraq war will expand to draw in other parties more directly has become greater than at any previous time since the fighting began five years ago.



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